

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 L-03 H-02 PA-02 PRS-01 /101 W

----- 004613

R 261711Z AUG 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1353

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

UNCLAS BONN 14285

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: GERMANY LOAN TO ITALY

REF: BONN 14211

1. FOLLOWING ANNOUNCEMENT THAT THERE WOULD BE AN EXTENSION OF GERMANY'S \$2 BILLION GOLD SECURED LOAN TO ITALY, THERE WAS APPARENTLY SOME CONFUSION IN RECONCILING THIS ACTION WITH CHANCELLOR SCHMIDT'S EARLIER STATEMENTS THAT ASSISTANCE FOR ITALY SHOULD COME FROM MULTILATERAL SOURCES. GOVERNMENT SPOKESMAN GRUENEWALD WAS ASKED FOLLOWING THE CABINET MEETING

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WHETHER THIS EXTENSION WAS LINKED TO DISCUSSIONS AT THE

PUERTO RICO SUMMIT, AT WHICH MULTILATERAL ASSISTANCE FOR ITALY WAS DISCUSSED. GRUENEWALD REPLIED THAT THE TRANSACTION WAS STRICTLY BILATERAL. HOWEVER, A SPOKESMAN FROM THE FINANCE MINISTRY POINTED OUT THAT THE EXTENSION OF THIS LOAN IS NOT IN CONFLICT WITH CHANCELLOR SCHMIDT'S EARLIER STATEMENTS. THE CHANCELLOR, STATES FINANCE MINISTRY SPOKESMAN, DID NOT MEAN THAT BILATERAL ASSISTANCE WOULD BE TOTALLY RULED OUT; RATHER, THE CHANCELLOR'S CALL FOR MULTILATERAL ASSISTANCE SHOULD BE INTERPRETED IN THE SENSE OF ADDITIONAL MEASURES.

2. GOVERNMENT SPOKESMAN GRUENEWALD, IN ADDITIONAL REMARKS FOLLOWING YESTERDAY'S CABINET MEETING, SAID THAT THIS MEASURE SHOULD HELP ITALY OVERCOME ITS DOMESTIC AND EXTERNAL ECONOMIC DIFFICULTIES. THE FRG EXPECTS THAT ITALY WILL HONOR ITS ECONOMIC AND POLITICAL OBLIGATIONS. MEASURES WHICH RESTRICT IMPORTS, STATES GRUENEWALD, OR WHICH SUBSIDIZE EXPORTS ARE NOT LONG-TERM SOLUTIONS TO BALANCE OF PAYMENTS PROBLEMS. THEREFORE, THE FRG EXPECTS THAT ITALY WILL, AS SOON AS FEASIBLE, DISMANTLE TRADE RESTRICTIONS, ESPECIALLY THE BARDEPOT. WHILE IT IS VIRTUALLY ASSURED THAT THE LOAN WILL GO FORWARD, SOME DIFFICULTY IS EXPECTED SINCE THE BUNDESBANK WANTS AN INCREASE IN THE GOLD COLLATERAL BUT THE ITALIANS ARE REPORTEDLY NOT READY TO ACCEPT THIS. GOLD PRICES HAVE FALLEN BY ABOUT 1/3 SINCE THE 1974 LOAN WAS NEGOTIATED. THE IMPRESSION IN BONN, HOWEVER, IS THAT NEGOTIATIONS WILL NOT FAIL ON THIS POINT. CASH

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## Message Attributes

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